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UNCLAS HARARE 000202

SIPDIS

SENSITIVE

STATE FOR AF/S AND AF/EX  
NSC FOR SENIOR AFRICA DIRECTOR JFRAZER  
USDOC FOR 2037 DIEMOND  
PASS USTR ROSA WHITAKER  
TREASURY FOR ED BARBER AND C WILKINSON  
USAID FOR MARJORIE COPSON

E. O. 12958: N/A

TAGS: [ETRD](#) [EFIN](#) [ECON](#) [ZI](#)

SUBJECT: Coca-Cola makes case for higher prices

1. (SBU) Summary: Coca-Cola reps have joined a procession of companies lobbying the GOZ for a relaxation on price controls. End Summary.

2. (SBU) Coca-Cola's Regional Director has met with Zimbabwe's Finance and Trade/Commerce Ministers in the past week to argue that his company cannot continue to operate at a loss. Each of Coca-Cola's Zimbabwe products is now price-controlled. The multinational lost US\$ 3 million here last year and will lose considerably more if price controls are not relaxed. Since it imports 80 percent of its inputs, the company is unable to keep a lid on costs. Furthermore, its local operation is cannibalizing operations in neighboring countries through a brisk informal export of low-priced Zimbabwe products.

3. (SBU) Comment: Zimbabwe has become one of the few countries in the world where Coca-Cola is sometimes in short supply -- unfortunate, since the country recently enjoyed one of the highest per capita cola-consumption rates in the world. In the 1990s, it was Coke's 37th worldwide market, impressive considering Zimbabwe's modest 12-million population. In past weeks, executives from a multitude of companies and industries have treated President Mugabe's cabinet to countless lessons in Economics 101, or why they won't produce and sell products below cost. We only hope this logic penetrates the President's inner circle before too many companies seek greener pastures.

Sullivan